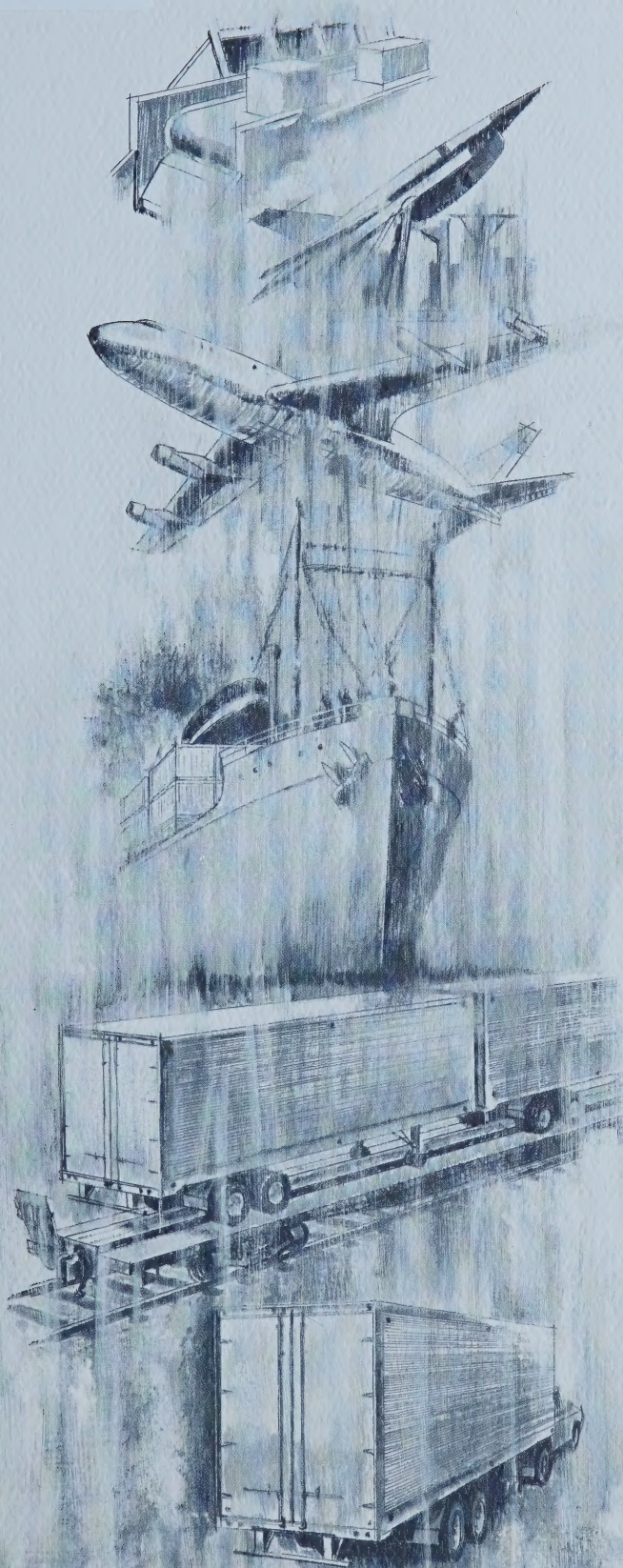


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FRUEHAUF
CORPORATION

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50
1914—1964
50 YEARS OF PROGRESS



BOARD OF DIRECTORS

Chairman of the Board

WALKER L. CISLER, *President, The Detroit Edison Company*

LESLIE C. ALLMAN	<i>President, The Allman Company, Inc., Detroit, Mich.</i>
JAMES BRUCE	<i>Director of many industrial and financial corporations, New York, N. Y.</i>
WILBER M. BRUCKER	<i>Attorney, Brucker and Brucker, Detroit, Mich.</i>
GERALD W. CHAMBERLIN	<i>Industrialist, Grosse Pointe, Mich.</i>
DE WITT A. FORWARD	<i>Retired Vice Chairman of First National City Bank, New York, N. Y.</i>
ROY FRUEHAUF	<i>Industrialist, Detroit, Mich.</i>
ARTHUR J. FUSHMAN	<i>Chairman of the Executive Committee, Manufacturers National Bank of Detroit, Mich.</i>
WILLIAM E. GRACE	<i>President, Fruehauf Corporation, Detroit, Mich.</i>
HERMAN H. KAHN	<i>General Partner, Lehman Brothers, New York, N. Y.</i>
ROBERT S. KIRKSEY	<i>Industrialist, Imperial, Calif.</i>
ALFONS LANDA	<i>Attorney, Davies, Richberg, Tydings, Landa and Duff, Washington, D. C.</i>
THOMAS G. LONG	<i>Attorney, Butzel, Eaman, Long, Gust and Kennedy, Detroit, Mich.</i>
FREDERICK H. MUELLER	<i>Industrialist, Washington, D. C.</i>
THOMAS S. NICHOLS	<i>Chairman of the Executive Committee, Olin Mathieson Chemical Corporation, New York, N. Y.</i>
THEODORE S. PETERSEN	<i>Industrialist, San Francisco, Calif.</i>
WARREN LEE PIERSON	<i>Director of many industrial and financial corporations, New York, N. Y.</i>
JAMES M. ROBBINS	<i>President, Jim Robbins Company, Royal Oak, Mich.</i>
HERBERT J. WOODALL	<i>Chairman of the Board, Woodall Industries, Inc., Detroit, Mich.</i>

CORPORATE STAFF MANAGEMENT

WILLIAM E. GRACE, *President & Chief Executive Officer*

ALEXANDER S. ARANYOS	<i>Vice President—International Operations</i>
ALEXANDER BLACK	<i>Vice President—Planning</i>
HARRY E. FOULKROD	<i>Vice President—Marketing</i>
BRUCE M. KIRSTEN	<i>Vice President—Purchasing and Traffic</i>
RAYMOND M. LYONS	<i>Vice President—Industrial Relations</i>
ROBERT D. ROWAN	<i>Vice President and Controller</i>
ERNEST L. RUSHMER	<i>Vice President, General Counsel, and Secretary</i>
KEITH W. TANTLINGER	<i>Vice President—Engineering and Manufacturing</i>
NORMAN A. RYAN	<i>Treasurer</i>

DIVISION MANAGEMENT

FREDERICK S. NEUMANN	<i>Vice President and General Manager, Fruehauf Division</i>
SOLOMON KATZ	<i>President, Strick Division</i>
RAY N. BIGGERS	<i>Vice President and General Manager, Hobbs Division</i>
DAVID BERNSTEIN	<i>Vice President and General Manager, Independent Metal Products Division</i>
ROBERT BERNSTEIN	<i>Vice President, Engineering and Production, Independent Metal Products Division</i>
JACOB BERNSTEIN	<i>Vice President and Consultant, Independent Metal Products Division</i>
ALEXANDER BLACK	<i>Acting General Manager, Military Products Division</i>
RUSSELL G. HOWELL	<i>General Manager and Vice President, Fruehauf Finance Company</i>

TO OUR SHAREHOLDERS:

Fruehauf Corporation has reached new highs in both sales and earnings for the second consecutive year with net sales in 1963 of \$265,410,388 and earnings of \$16,808,251 after taxes, equal to \$2.37 per share.

The year 1964 marks the fiftieth anniversary of the Fruehauf Corporation and rather than comment on last year's operations which are presented in detail elsewhere, we want to look at Fruehauf's role in the years ahead.

This Annual Report for 1963 is a description of the revolution in the automated movement of the world's goods. Fruehauf Corporation is dedicating its capabilities to design and produce equipment to strengthen every link in the chain of production, sales and distribution of goods.

High cost of handling products, sometimes over fifty percent of market selling price, is often described as the last frontier of possible cost reduction. Reducing this cost presents a challenge to the transportation industry. Fruehauf's future in serving the transportation industry world-wide depends upon our ability to deliver a better product at a better price, which will reduce transportation costs. This offers great promise of growth for Fruehauf Corporation.

Fruehauf Corporation's experience in the development of transportation equipment has prepared our Divisions for expansion of services into the broad field of

physical distribution. Fruehauf Division's Twin-20 and Strick Division's Flexi-Van and Strick-Tainer are results of our concept of "Warehousing in Motion."

We believe our nation's continued growth and its economic stability depend on reducing the delivered cost of American manufactured products. Fruehauf equipment designed to eliminate unnecessary costs in handling raw materials, subassemblies and finished products is important to this growth.

During 1963, an aluminum sheet mill was established at Decatur, Alabama, in partnership with Hunter Engineering of American Metal Climax, to produce sheet aluminum requirements for each of the partners. The sheet mill was built adjacent to the aluminum extrusion plant of the Corporation, which commenced operation in 1959. The fine success of the extrusion plant promises even greater results in the operation of the new sheet mill, which will begin in the spring of 1964.

The Corporation lost through death on February 22, 1964, the valued services of Robert S. Kirksey who had been a member of the Board of Directors since 1944.

Your Board of Directors sincerely appreciates the loyal endeavors of our employees, presently more than 10,000, the continued support of our shareholders, and the confidence customers have shown in our products and service. We dedicate our 50th Golden Anniversary in 1964 to Fruehauf's growth in the years ahead.

By Order of the BOARD OF DIRECTORS

Walker L. Cislus
Chairman

A. E. Grace
President
March 19, 1964

ANNUAL MEETING OF SHAREHOLDERS

Annual Meeting of Shareholders will be held at 2:30 P.M. on Thursday, May 7, 1964, at the Park Shelton Hotel, 15 E. Kirby at Woodward, Detroit, Michigan. Proxies will be solicited from Shareholders when the notice of Annual Meeting and Proxy Statement are mailed on or about April 1, 1964.

FINANCIAL HIGHLIGHTS

FRUEHAUF CORPORATION AND CONSOLIDATED SUBSIDIARIES

	1963	1962
Net Sales.....	\$265,410,388	\$261,724,890
Earnings before Federal Taxes on Income..	32,928,251	32,509,508
Per Common Share*.....	4.66	4.62
Net Earnings.....	16,808,251	16,189,508
Per Common Share*.....	2.37	2.29
Dividends paid to Common Shareholders....	10,492,437	8,378,884
Per Common Share.....	1.50	1.20
Long-term Debt.....	55,602,059	58,084,005
Net Assets (Book Value) per Common Share..	17.13	16.60
Ratio Current Assets to Current Liabilities..	2.7 to 1	3.1 to 1
Number of Shareholders.....	38,773	37,747

**Based on average number of shares
outstanding during the respective years.*

TRANSFER AGENTS

National Bank of Detroit.....Preferred Stock
The Detroit Bank and Trust Company.....Common Stock
First National City Bank—
New York.....Preferred and Common Stock

COUNSEL

Butzel, Eaman, Long, Gust & Kennedy—Detroit, Michigan

REGISTRARS

The Detroit Bank and Trust Company.....Preferred Stock
National Bank of Detroit.....Common Stock
The Chase Manhattan Bank—
New York.....Preferred and Common Stock

AUDITORS

Touche, Ross, Bailey & Smart—Detroit, Michigan

SALES AND EARNINGS

The year 1963 was the second consecutive year in which Fruehauf Corporation achieved record sales and earnings. Net earnings in 1963 equalled \$2.37 per common share, as compared to \$2.29 in 1962. Financial highlights are shown in table form on the adjacent page.

Continued customer satisfaction and careful control of expenses contributed greatly to these record earnings. In 1963 the Corporation entered several new fields of operation described in this report which should contribute to increased earnings in future years.

DIVIDENDS

Dividends of \$1.50 per common share were paid in 1963. A year-end extra dividend of 30¢ was declared, payable February 1, 1964. In addition, on November 13, 1963, a dividend on the common stock, payable May 1, 1964, was declared in the amount of 37½¢ a share, an increase from the 30¢ paid in previous quarters. Thus, dividends of \$1.50 per share were paid in 1963, while the total dividends declared during the year were \$1.875. The \$6,917,083 shown as dividends payable in the Balance Sheet of December 31, 1963, includes the 30¢ dividend paid February 1, 1964,

the 30¢ extra paid February 1, 1964, and the 37½¢ dividend payable May 1, 1964.

FINANCIAL POSITION

The Corporation's present financial position should provide the capital required for the anticipated sales increase in 1964, and for any required expansion of facilities and product lines. Working capital at December 31, 1963 amounted to \$86,248,861, a decrease from \$90,282,998 at December 31, 1962.

Sinking Fund Requirements of the Corporation's 3¾% Debentures have been satisfied through 1966. Sinking Fund Requirements have also been satisfied for the 4% Sinking Fund Debentures through 1967. Funded debt was reduced more than \$3,000,000 during 1963.

The increase in inventory is the result of greater customer demand, introduction of new models, and is regarded as necessary for operations.

The Corporation instituted a program offering trailers on a daily, weekly, or monthly rental basis. Heretofore, leasing policy was limited to extended time periods. Accordingly, a substantial increase in the amount of equipment leased to customers is required. The rental program was profitable in 1963 despite start-up costs, and is expected to be a source of substantial profits in future years.

1963 OPERATIONS

Steaks for the dinner table, the flow of materials for industrial production, and the many commodities necessary for the comfort and health of everyone are quickly and economically delivered to the market-places of the world in trailers and containers.

Trailers and containers that roll over-the-road, ride piggyback on a railcar, and fishyback in the holds or on decks of ships, have played their part in developing a technique of physical distribution . . . "Engineered Transportation" . . . by Fruehauf.

Containerization, a modern day version of the trailer without wheels, is now a major factor in the industry. Specially designed units are effecting cost reductions in the handling of goods and materials. We now have containers that will quickly transfer from their wheels to the railcar or ship, then back to wheels for final delivery. Containerization for aircraft cargo is now a reality for speedy delivery of olive oil from Rome to New York, cut flowers from Miami to Chicago, and automotive parts from Detroit to San Francisco.

Divisions of Fruehauf Corporation have been in the forefront of this progress from the very beginning. They have contributed much to the design and perfection of application to nearly every industry need. Their purpose is to develop the system, then supply the equipment, for the concept of TOTAL TRANSPORTATION.

Attainment of this goal is reflected by our progress in 1963. The operating Divisions of Fruehauf Corporation introduced new products and services in each

of their respective fields during the year.

Expansion into the broad field of physical distribution did not require new acquisitions, because skilled technicians and manufacturing facilities were available from within our present Division organizations. The framework for this growth was planned several years ago by the Board of Directors in a reorganization of staff and line operations.

Manufacturing facilities and quality control procedures were upgraded and marketing efforts resulted in another "best year." In each Division significant successes were attained and each contributed to the final results.

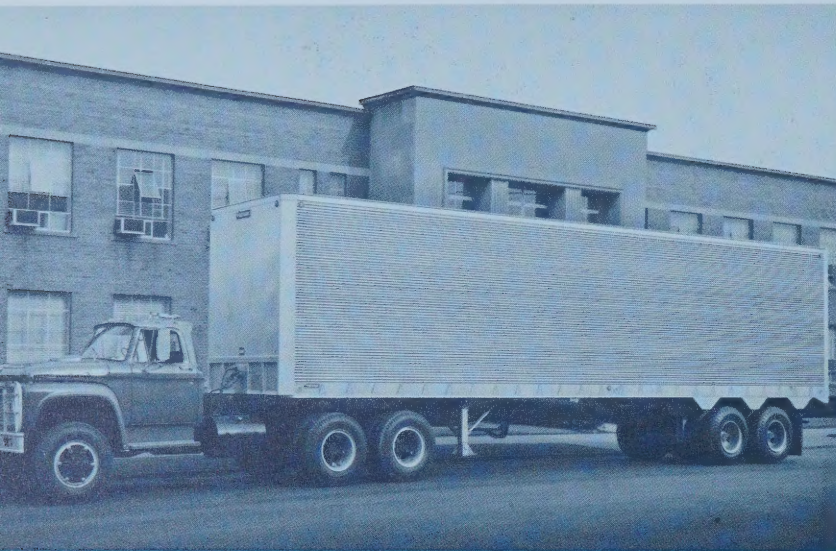
FRUEHAUF TRAILER DIVISION

Fruehauf's leadership in the freight transportation equipment field is its Volume*Van line. An important addition was made to this line with the introduction of the Volume*Van Plus. The new aluminum model, while retaining all the popular customer features of former trailers, incorporates a number of design and construction improvements in front wall, support mechanism, and rear end structure. Additional strength has been incorporated into these areas to provide maximum cargo protection in both over-the-road and piggyback service, as well as a long, low-maintenance life for the customer's trailer.

A combination of improvements in which Fruehauf Trailer Division has pioneered, that of full foam insulation and stainless steel trailer fabrication, played a major role in reducing operational costs for the perishable cargo carrier in 1963, while assuring tastier foods for the family table. Sanifoam, a lightweight, resilient foamed-in-place insu-

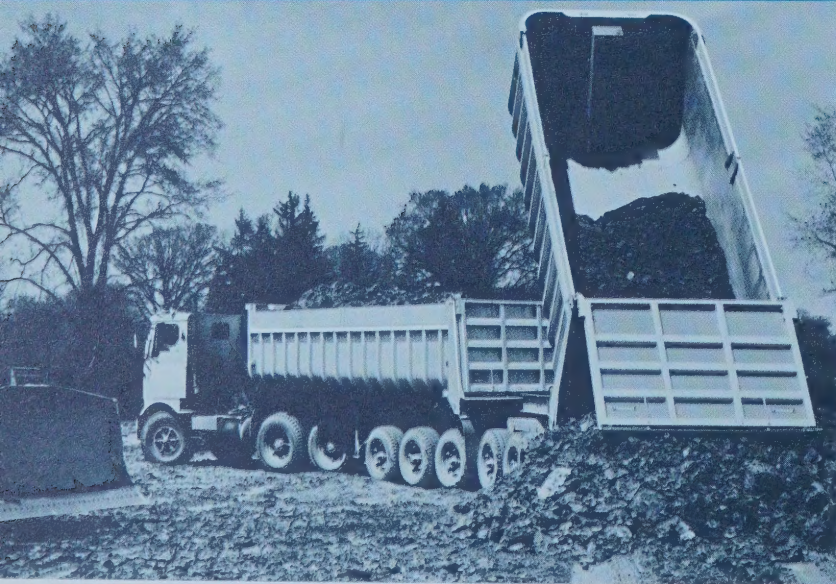


Fruehauf Trailer Division's exclusive stainless steel Volume★Van offers carriers lifetime strength, corrosion resistance, and performance. These features mean lower maintenance costs and greater profits for the operators.



Introduced in 1963, Fruehauf Trailer Division's Volume★Van Plus incorporates a number of advanced design and construction features which insure a long, profit producing life for the customer's trailer.

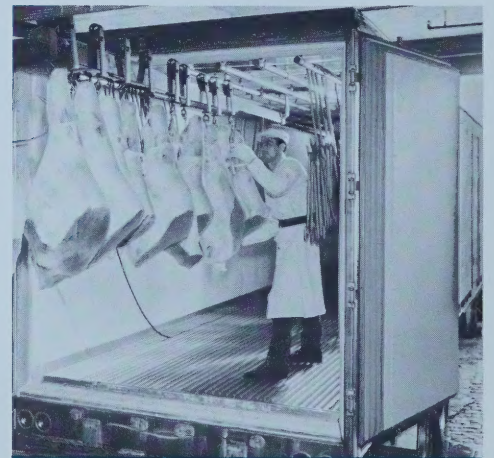
A rugged, dependable Fruehauf Trailer Division dump train, like the one shown below, has been selected for exhibition at the 1964 New York World's Fair in the General Motors display area.



lation is used in the Division's Seal-Temp refrigerated trailer line. The insulation effectively maintains the required temperatures for such cargoes as frozen meats, juices, vegetables and ice cream. Customer preference for stainless steel trailers with this type of insulation is based on the lifetime strength and corrosion resistance qualities of the metal. In addition, stainless steel has a lower heat conductivity factor, vitally important to the maintenance of controlled temperatures which permits the delivery of fresher, better quality foods to the consumer.

A booming construction industry placed heavy demand on the production of this Division's dump trailers and carryalls, and the sale of platform trailers established a record over previous years.

Growing realization by transportation men everywhere of the economies to be gained by containerized movement of freight created new and repeat orders



Insulated with foamed-in-place, lightweight, resilient Sanifoam, refrigerated trailers carry perishable cargoes at safe, even temperatures.

for this type of equipment. Container sales were made to railroad and maritime firms as well as to over-the-road private and common carriers during the year. The "Truckers Version" of the Twin-20's is of special interest to this latter group. In addition to flexibility as either a 20- or 40-foot container, a 40-foot highway trailer or two 20-foot trailers for city delivery work, this container system features roll-up and fold back doors to create 40 feet of full-width, walk-through floor space for faster loading and unloading when the units are joined.

Containers for air freight will provide new sales potential for this Division. Introduced in early 1963, our air cargo container system will provide the means of more efficient utilization of air transport by manufacturers, wholesalers and carriers. Sales and service of these units will be through the nation-wide network of Fruehauf Division factory branches.



Fruehauf Trailer Division's "walk-through" Twin-20's container model is shown here as a 40-foot, over-the-road, high cube trailer.

A new dimension in materials handling capabilities, is the manufacture, sales and service of an air cargo container system. -



Forty feet of "walk-through" load space can be achieved with this Fruehauf Trailer Division special container for truckers.



Strick-Tainers aboard ship or on wheels expedite shipment of staple and perishable commodities.



STRICK TRAILER DIVISION

The Refrigerated Strick-Tainer was introduced in 1963. The transportation industry acceptance of this new addition to the Flexi-Van System was immediate. Compatibility with trans-oceanic shipment of "Sensitive Perishable Commodities" is one reason for this success.

Today Refrigerated Strick-Tainers ply the high seas with lettuce from California's Imperial Valley en route to Stuttgart, Germany. Cheeses and pastries from Denmark are routed to Buffalo. These commodities travel at scientifically determined temperatures which are thermostatically maintained by dual

(diesel and electrical) temperature control systems.

Each unit is equipped with thermocouples to monitor temperature ranges. The temperature recordings can then be used to determine whether the carrier has maintained specified temperature control, and makes possible the "through bill of lading" of refrigerated commodities. Once the container is locked and sealed at the point of origin it need not be opened until it reaches its final destination.

1963 was a year that saw greatly increased utilization of the Strick Division's Flexi-Van and Strick-Tainer equipment as key units in the mushrooming inter-modal transportation picture.

The U. S. Army has been interested in the intercontinental movements of goods in Flexi-Van and Strick-Tainer equipment because of savings in dollars and time resulting from containerized shipments.

On a typical military movement, containers move from inland United States by road, piggyback or Flexi-Van railcar to the Port of New York. There they are hoisted aboard ship. At the port of debarkation in LeHavre, France, they are lifted from the ship's holds and placed on Flexi-Van railcars of the French National Railways. First by rail, then by truck-trailer, the Flexi-Van containers

speed across the continent to their destination—an undisclosed army base in central Europe.

The operation has proved time and again that deliveries can be made in two thirds the time required by previous shipping methods.

Strick, through its advanced engineering and modern manufacturing facilities, is pioneering in the relatively new field of containerization. In addition to Flexi-Van and Strick-Tainer, this Division manufactures a complete line of aluminum freight and refrigerated vans, platform trailers and truck bodies.



At port of debarkation in foreign lands, Strick Flexi-Vans are unloaded from ship to rail and highway modes of transportation.



Transportation of livestock is an important segment of the meat processing industry. Here calves are shown loading into a Hobbs "VANGUARD" livestock van.

A typical Hobbs Hyd-Pak fleet of refuse collection trucks.



HOBBS TRAILER DIVISION

The "VANGUARD" 6400 series aluminum van was introduced in early 1963. This new design is now available in models to suit general and specialized carrier use. Dry freight and refrigerated vans, open top grain vans, furniture vans, and straight-frame and drop-deck livestock vans offer complete interchangeability of steel and aluminum components to enable the carrier to balance his weight and cost requirements.

Sales of Hobbs HYD-PAK refuse collection bodies and trailers increased 22% in 1963, indicating a growing market for refuse collection equipment required by refuse collection contractors and municipalities.

This Division's marketing organization is composed of 8 factory branches in the Southwest and 42 independent equipment distributors throughout the nation. A new Hobbs factory sales and service branch was established in Oklahoma City in October, 1963.

RENTCO DIVISION

Rentco Division, an operation established in 1963, is a nation-wide rental service for the transportation industry. Short term rental of new trailers and containers is available to truckers, railroads and other carriers. This Division maintains a pool of freight vans, refrigerated vans, flat beds and containers for this purpose. Rentco facilities are presently located in Fairless Hills, Pa., Charlotte, N. C., Chicago, Ill., San Francisco and Los Angeles, Calif., Dallas, Texas, and St. Louis, Mo.

INDEPENDENT METAL PRODUCTS DIVISION

New equipment was installed in the plants of this Division in 1963 to manufacture stainless steel tank trailers for the food and chemical industries. New automatic welding, grinding and polishing equipment permits production of tank trailers with a brighter, cleaner appearance and thus better customer and shipper acceptance. Improved insulating techniques and heating processes allow this Division to offer tank trailers which give customers maximum service and increased revenues, as in the case of our sanitary stainless steel Milk Tank which is now in production.

West Coast haulers operating two single axle Milk Tanks in tandem gain an additional 3000 pounds of payload due to the lighter trailer weights of this design. The improved insulation techniques used in the construction of the Milk Tank will hold the milk to within two degrees of loading temperature.

A new multipurpose Bulk Hopper Pressure trailer was developed to haul either bulk dry or liquid loads and can be unloaded by either pressure or gravity. These units permit operators to haul a much wider variety of commodities and to unload into virtually any receiving system.

A new lightweight Bulk Grain Hopper was introduced this year. This new trailer, produced in both single axle and 4-wheel models, has a combined capacity of over 1350 cubic feet and will haul more than 26½ tons of grain.



This insulated Fruehauf tank-trailer, manufactured by the Independent Metals Products Division, is specially designed to transport milk within two degrees of loading temperature in spite of extremely long, hot runs.

Flammable and dangerous commodities demand a tank-trailer of the highest quality design and fabrication that conforms to the strictest highway codes.



MILITARY PRODUCTS DIVISION

The Military Products Division continued to strengthen its capabilities in 1963. This Division enters the new year with a backlog of approximately 20 million dollars, the highest in many years.

The Division has greatly diversified its capability in the field of ground support and is now able to meet the varied facets of stringent military vehicle requirements. A prime contract was recently awarded for production of the LARC XV, an amphibious cargo vehicle used by the services for transporting material from ship to shore. This 10 million dollar contract was awarded to

our West Coast facilities by the U. S. Army Aviation and Surface Materiel Command in St. Louis, Mo., with deliveries scheduled for late 1964. In addition to high production on the M151 $\frac{1}{4}$ ton truck body, our Eastern facilities received a prime contract from the Army Tank and Automotive Command for a quantity of 711 units of the M127 AIC, twelve ton tandem cargo semitrailer.

These and other contracts for the production of vehicles, such as a Saturn Transporter, Portable Clean Rooms, Apollo Transporter, Sergeant support vehicles and Vehicle Engineering Contracts with the Army Tank and Automotive Command, can make 1964 a banner year for the Military Products Division.

The LARK XV, a 15 ton capacity amphibious craft is to be used in transport of materiel at beachhead landings.



RESEARCH AND DEVELOPMENT

Since the early part of 1963, our Research and Development Engineering has developed practical material handling applications for an air bearing device. A self-mobilizing pallet has been built which eliminates the friction between load and floor so efficiently that tons of material on the pallet can be moved effortlessly by hand. This unique air bearing pallet can be applied to the movement of cargo in aircraft, truck and trailer bodies, railcars, ships, warehouses, and manufacturing plants.

Development of the prototype of our Flexi QUAD CAR was another accomplishment when it was introduced at the American Railway Progress Exposition in October, 1963. This railcar is capable of handling Flexi-Van containers, standard type containers, and piggyback

trailers and can ably serve as a typical railcar for flat deck loads. The railcar is now in final test.

Research and development efforts of the Company during the year resulted in the granting of 10 United States patents and 83 applications are pending or ready for filing. Investigations relating to improved methods of foam-in-place insulation, paint and adhesives peculiarly applicable to trailer and container construction, new riveting and other manufacturing techniques were conducted with positive results.

Construction of the largest dynamometer facility available anywhere to test trailer equipment under simulated operating road conditions was commenced during 1963. This facility will be ready for use by the Research and Development group late in 1964.



Flexi QUAD CAR, an advanced design railcar offers multi-purpose operations for company.

INTERNATIONAL OPERATIONS DIVISION

Fruehauf France, S. A., our subsidiary, moved into new Administrative Offices at Ris-Orangis outside of Paris and adjacent to its well equipped and spacious Service Branch. The company improved its penetration of the French market and completed its best year in terms of operating results.

A one-third interest was acquired in Crane Fruehauf Trailers, Ltd., Dereham, as the result of merging our North Walsham facilities with our English associates. As part of the new arrangement, further expansion plans have been initiated including additional facilities for the manufacture of vans and containers at North Walsham, and for the manufacture of a line of tanks in Dereham, providing Fruehauf with broader representation in the growing United Kingdom market.

Deutsche Fruehauf, GMBH. & Co. KG. commenced operations in October, 1963, in a new plant at Schierling, Bavaria, West Germany. This is a joint venture with the well known German trailer manufacturing company, Fahrzeugfabrik Georg Unterholzner KG, Traunstein, West Germany.

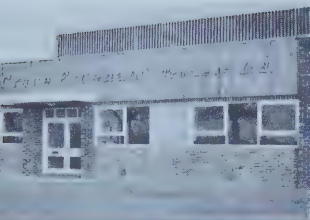
Late in 1963, Nippon Fruehauf Company, Ltd., was formed by two outstanding Japanese industrial concerns to manufacture Fruehauf equipment under license in Japan and Okinawa. A trailer plant for the new company is to be located outside of Tokyo. Plans have been drawn and an appropriate site has been acquired for these manufacturing facilities. The operations in Japan are expected to start in 1964.

Fruehauf Trailers (Australasia) Pty. Ltd., our associate company, is showing progress and is establishing itself as a leader in the Australian trailer market. A Finance Division of the company was established in 1963, for long term financing of trailer equipment.

Fruehauf do Brasil, S. A., in Sao Paulo, Brazil, showed an increased production over the previous year. Colecom, a refuse collection unit available as a truck mounted body or semitrailer, is widely accepted throughout Brazil. A substantial market for Fruehauf products will continue to grow in Brazil in face of severe monetary inflation.

In Sweden, Holland, Spain and South Africa, our associates have further enlarged their production and sales programs to keep pace with growing demand for trailers.

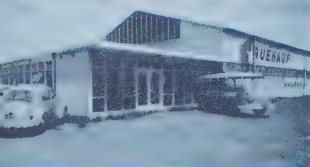
New facilities, combined with those already established, are further expanding a network which will permit Fruehauf to serve the transportation industry throughout the world.



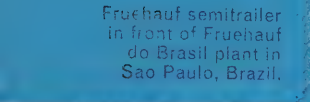
Crane Fruehauf Trailers
Ltd. Plant at
North Walsham, England.



Fleet of truck bodies sold
by Nippon Fruehauf
Company, Ltd. Tokyo,
Japan, to the Nippon
Express Company.



Sales and Service facility
of Fruehauf Trailers,
Australasia, with
headquarters in
Sydney, Australia.



Fruehauf semitrailer
in front of Fruehauf
do Brasil plant in
Sao Paulo, Brazil.



Administrative buildings of our subsidiary
Fruehauf France, S. A. at Ris-Orangis
outside of Paris. In the background is the new
modern fully equipped service station.

During the year, less than ½ of 1% of total production hours scheduled were lost due to work stoppages.

Employee participation in community and civic affairs is encouraged at all Division levels. Fruehauf and Hobbs Divisions sponsor a "Girls Club" for female employees. Meetings are held on a monthly basis for the purpose of maintaining their respective support of charitable programs. A "Toys for Tots" campaign is conducted by employees of Strick Division. Toys are donated to a veterans group for distribution to needy children at Christmas time.

Our Safety Program continued to be effective with 20 branches and 2 plants having perfect safety records with no lost-time accidents in 1963. The Ft. Wayne Plant of Fruehauf Trailer Division received the Annual Safety Award of the Corporation, and was also awarded first place honor in the National Safety Council's Metals Section contest for being the safest heavy fabricating facility among participating companies. The Fort Wayne Plant recently surpassed its prior outstanding record by completing two million manhours without a lost-time accident.



ACCOUNTANTS' REPORT

TOUCHE, ROSS, BAILEY & SMART

1380 FIRST NATIONAL BUILDING
DETROIT, MICHIGAN 48226

February 11, 1964

Board of Directors and Shareholders,
Fruehauf Corporation,
Detroit, Michigan.

We have examined the accompanying consolidated balance sheet of Fruehauf Corporation and consolidated subsidiaries as of December 31, 1963, and the related statements of net earnings, earnings retained for use in the business, and additional paid-in capital for the year then ended. We have also examined the accompanying balance sheet of Fruehauf Finance Company as of December 31, 1963, and the related statement of net earnings and earnings retained for use in the business for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Fruehauf Corporation and consolidated subsidiaries and the financial position of Fruehauf Finance Company at December 31, 1963, and the respective results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart
Certified Public Accountants

FRUEHAUF CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF NET EARNINGS

Years ended December 31, 1963,
and December 31, 1962

	1963	1962
REVENUES:		
Commercial sales.....	\$261,289,250	\$254,188,567
Rentals on leased equipment.....	6,304,713	5,977,348
Defense sales.....	9,819,019	12,796,073
Total sales.....	\$277,412,982	\$272,961,988
Less excise taxes.....	12,002,594	11,237,098
Net sales.....	\$265,410,388	\$261,724,890
Earnings before taxes on income of Fruehauf Finance Company (Notes C and D).....	5,584,872	5,410,470
Finance revenue and interest.....	2,109,459	1,917,521
Miscellaneous.....	1,914,505	646,083
	\$275,019,224	\$269,698,964
COSTS AND EXPENSES:		
Cost of products and service sold, other than items below.....	\$211,559,829	\$208,265,016
Selling and administrative expenses.....	20,023,865	18,796,506
Depreciation of plant and equipment.....	2,603,766	2,576,648
Taxes—property, payroll, state income, and miscellaneous.....	5,267,367	4,878,142
Interest on long-term debt, including \$753,109 in 1963 and \$692,575 in 1962 to Fruehauf Finance Company.....	2,636,146	2,673,144
United States and Canadian taxes on income (Note D).....	16,120,000	16,320,000
	\$258,210,973	\$253,509,456
NET EARNINGS	\$ 16,808,251	\$ 16,189,508

See notes to financial statements.

FRUEHAUF CORPORATION AND CONSOLIDATED

ASSETS	December 31, 1963	December 31, 1962
CURRENT ASSETS:		
Cash (including in 1963 \$7,207,336 in interest-bearing accounts).....	\$ 18,214,846	\$ 15,344,394
Marketable securities—at cost and accrued interest (approximately equal to market)...	1,679,689	2,617,588
CASH AND MARKETABLE SECURITIES	\$ 19,894,535	\$ 17,961,982
Trade receivables:		
Installment contracts (including installments of approximately \$13,600,000 maturing after one year), less unearned finance charges of \$2,045,038 at December 31, 1963.....	\$ 19,496,118	\$ 25,151,782
Accounts receivable.....	39,253,296	37,579,964
	\$ 58,749,414	\$ 62,731,746
Less allowance for doubtful receivables....	2,000,000	2,000,000
	\$ 56,749,414	\$ 60,731,746
Inventories (Note B).....	57,941,502	52,733,098
Prepaid expenses.....	976,258	1,039,238
TOTAL CURRENT ASSETS	\$135,561,709	\$132,466,064
INVESTMENTS AND OTHER ASSETS:		
Investments in and amounts due from affiliated companies not consolidated (Notes A and C)	\$ 49,553,512	\$ 47,250,553
Equipment leased to customers—at lower of cost or appraised value, less accumulated depreciation of \$8,035,941 at December 31, 1963 (Note D).....	13,841,474	9,881,690
Miscellaneous accounts and investments.....	4,098,316	2,163,312
	\$ 67,493,302	\$ 59,295,555
PROPERTY, PLANT, AND EQUIPMENT:		
Land—at cost.....	\$ 5,238,721	\$ 4,878,111
Buildings and building equipment—at cost....	25,112,663	25,232,948
Machinery and other equipment—at cost.....	27,390,347	27,645,486
	\$ 57,741,731	\$ 57,756,545
Less accumulated depreciation and amortization.....	25,082,226	24,992,346
	\$ 32,659,505	\$ 32,764,199
UNAMORTIZED DEBENTURE EXPENSES	204,443	258,113
	\$235,918,959	\$224,783,931

CONSOLIDATED SUBSIDIARIES BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' INVESTMENT	December 31, 1963	December 31, 1962
CURRENT LIABILITIES:		
Accounts payable and accrued expenses:		
Trade accounts	\$ 19,499,957	\$ 14,454,048
Due to subsidiary not consolidated	2,821,573	2,843,775
Salaries, wages, and employee benefits ..	5,654,100	5,105,443
Taxes—property, pay roll, state income, and excise	3,984,474	3,527,638
Interest	486,949	507,081
	<u>\$ 32,447,053</u>	<u>\$ 26,437,985</u>
Dividends payable	6,917,083	4,179,619
United States and Canadian taxes on income (Note D)	9,948,712	11,565,462
TOTAL CURRENT LIABILITIES	<u>\$ 49,312,848</u>	<u>\$ 42,183,066</u>
NONCURRENT LIABILITIES:		
Deferred compensation	\$ 1,003,563	\$ 602,904
Deferred taxes on income and investment credit (Note D)	2,174,098	2,101,829
Long-term debt (Note E)	55,602,059	58,084,005
TOTAL NONCURRENT LIABILITIES	<u>\$ 58,779,720</u>	<u>\$ 60,788,738</u>
MINORITY INTEREST (8.7%) in Fruehauf Trailer Company of Canada Limited	717,558	599,159
SHAREHOLDERS' INVESTMENT:		
4% Preferred Stock, cumulative, par value \$100.00 a share; redemption price \$104.50 a share (no sinking fund payments required until 1971):		
Authorized and outstanding at December 31, 1963—55,735 shares ..	\$ 5,573,500	\$ 5,596,500
Common Stock, par value \$1.00 a share:		
Authorized 10,000,000 shares (Note G)		
Issued 7,175,556 shares at December 31, 1963	7,175,556	7,047,450
Additional paid-in capital	95,237,578	92,802,019
Earnings retained for use in the business, after transfers to capital of \$28,783,999 in prior years (Note E)	20,848,055	17,492,855
Cost of Common Stock held in treasury— 81,112 shares (deduction*) (Note E)	1,725,856*	1,725,856*
	<u>\$127,108,833</u>	<u>\$121,212,968</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Notes F, H, and I)	<u>\$235,918,959</u>	<u>\$224,783,931</u>

See notes to financial statements.

CONSOLIDATED STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

	1963	1962
Balance at beginning of year.....	\$17,492,855	\$12,010,816
Net earnings for the year.....	16,808,251	16,189,508
	<u>\$34,301,106</u>	<u>\$28,200,324</u>
Less cash dividends declared:		
4% Preferred Stock.....	\$ 223,150	\$ 233,180
Common Stock:		
\$1.50 a share in 1963 and 1962 including		
\$0.60 each year paid in the subsequent year	10,569,485	10,474,289
\$0.37½ a share in 1963 payable May 1,		
1964; record date April 1, 1964.....	2,660,416	
	<u>\$13,453,051</u>	<u>\$10,707,469</u>
TOTAL DIVIDENDS		
Balance at end of year.....	<u>\$20,848,055</u>	<u>\$17,492,855</u>

CONSOLIDATED STATEMENT OF ADDITIONAL PAID-IN CAPITAL

	1963	1962
Balance at beginning of year.....	\$92,802,019	\$91,765,196
Excess of par value over purchase price of 4% Preferred Stock acquired (1963—230 shares; 1962—3,140 shares).....	3,347	53,879
Excess of fair value (option price) over par value of Common Stock sold under Restricted Stock Option Plans (1963 — 103,461 shares; 1962 — 61,610 shares).....	1,808,439	973,298
Excess of principal amount of convertible subordinated debentures over the par value of Common Stock issued upon conversion (1963—24,645 shares; 1962—381 shares).....	623,773	9,646
Balance at end of year.....	<u>\$95,237,578</u>	<u>\$92,802,019</u>

See notes to financial statements.



NOTE A—PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its domestic and Canadian subsidiaries other than Fruehauf Finance Company. The investment in Fruehauf Finance Company is carried at equity in net assets in the consolidated balance sheet and its earnings for the year are included in consolidated net earnings. The investments in other subsidiaries are carried at cost.

The Corporation's consolidated Canadian subsidiary (91.3% owned) has stock purchase warrants outstanding which if fully exercised would increase the minority interest to approximately 16.8%.

NOTE B—INVENTORIES

Inventory amounts are based upon physical determinations during the year and have been stated at the lower of cost or market prices. Cost prices are determined by the first-in, first-out method, and market prices represent the lower of replacement cost or estimated net realizable amount.

A summary of inventories follows:

	December 31	
	1963	1962
New trailers.....	\$12,344,031	\$10,218,008
Production parts, work in process, and raw materials.....	28,857,353	27,676,013
Service parts and orders in process.....	11,516,620	9,892,250
Used trailers—at appraised values, less estimated disposal costs (Note D).....	5,223,498	4,946,827
	<u>\$57,941,502</u>	<u>\$52,733,098</u>

NOTE C—INVESTMENTS IN AND AMOUNTS DUE FROM AFFILIATED COMPANIES NOT CONSOLIDATED

	December 31	
	1963	1962
Fruehauf Finance Company (100% owned):		
Investment—at equity in net assets.....	\$32,959,243	\$30,304,371
Amounts due, subordinated to certain obligations of that subsidiary.....	14,234,660	14,563,461
	<u>\$47,193,903</u>	<u>\$44,867,832</u>
Affiliated companies outside of the United States and Canada:		
Investments—at cost.....	\$ 1,637,521	\$ 1,637,521
Amounts due.....	1,122,088	945,200
	<u>\$ 2,759,609</u>	<u>\$ 2,582,721</u>
Less provision for exchange and other losses.....	400,000	200,000
	<u>\$ 2,359,609</u>	<u>\$ 2,382,721</u>
TOTAL	<u>\$49,553,512</u>	<u>\$47,250,553</u>

The equity of the Corporation in accumulated earnings retained for use in the business of Fruehauf Finance Company was \$19,959,243 at December 31, 1963. The equity of the Corporation in the earnings before taxes on income of this subsidiary was \$5,584,872 in 1963 and \$5,410,470 in 1962.

The equity of the Corporation in net assets of the affiliated companies outside of the United States and Canada was \$2,077,104 at December 31, 1963, after giving effect to exchange adjustments. This amount is \$439,583 in excess of the related investments. No dividends were paid by these affiliated companies in 1963 or 1962, and the Corporation's share of their net earnings was \$530,699 in 1963 and \$14,314 in 1962, after giving effect to exchange adjustments.

Ownership by the Corporation or its subsidiaries in affiliated companies outside of the United States and Canada is listed below:

Company and Location	Ownership
Fruehauf International Limited—Liechtenstein.....	100%
Fruehauf do Brazil, S.A.—Indústrias de Viaturas—Brazil.....	100
Remorques Fruehauf S.A.—Switzerland.....	100
Fruehauf France, S.A.—France.....	67
Fruehauf Trailers Australasia Pty., Limited—Australia.....	50
Fruehauf Distributors, Pty., Limited—Australia.....	50
Deutsche Fruehauf GmbH & Co. KG—West Germany.....	50
Crane Fruehauf Trailers Limited—England.....	33

NOTE D—UNITED STATES AND CANADIAN TAXES ON INCOME

The amounts shown for United States and Canadian taxes on income in the consolidated statement of net earnings include taxes (\$2,930,000 in 1963 and \$2,803,000 in 1962) on income of the finance subsidiary.

Used trailers on hand and those leased to customers are stated at \$1.00 each for United States income tax purposes rather than at the bases used for financial reporting purposes. This practice, having been both required and approved by the Internal Revenue Service in prior years, has resulted in a postponement in time of payment of income taxes that have been provided for in the financial statements. These taxes become due as the used trailers are sold or as lease rentals are earned; however, the acquisition of additional used trailers results in the postponement of the payment of taxes otherwise due. In effect, the amount of income taxes, the payment of which has been postponed, varies directly with the amount of used trailers on hand or leased to customers.

The Internal Revenue Service has asserted certain deficiencies in United States income taxes paid with respect to the practice of stating used trailers at \$1.00 each for United States income tax purposes for the years subsequent to 1953. The Corporation has filed petitions with the Tax Court of the United States contesting such proposed additional taxes. The case has been tried by the Tax Court and a decision by the Court is pending. If the contentions of the Internal Revenue Service are sustained by the Tax Court, the postponed

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1963

taxes described in the preceding paragraph would become payable and interest would also become payable. The Corporation and its counsel are of the opinion that the ultimate liability for such taxes and interest will not exceed the amounts provided therefor in the financial statements.

The current liability for United States and Canadian taxes on income in the consolidated balance sheet includes at December 31, 1963, \$8,210,000 payable currently and \$2,450,000 applicable to used trailers included in current assets, reduced by \$710,000 arising from future tax benefits. The future tax benefits relate to certain anticipated losses which have been recognized by charges against earnings but which have not been deducted for tax purposes. Deferred taxes on income are applicable principally to used trailers leased to customers (included in investments and other assets) and depreciation of property, plant, and equipment deducted for tax purposes but not for financial reporting purposes.

NOTE E—LONG-TERM DEBT AND RESTRICTIONS ON DIVIDENDS ON COMMON STOCK

Long-term debt is summarized below:

	December 31	
	1963	1962
Amounts payable to Fruehauf Finance Company, less prepaid finance charges—secured by pledge of leased trailer rentals.....	\$ 9,063,059	\$ 8,257,005
3¾% Sinking Fund Debentures due June 1, 1974; redemption price to May 31, 1964, 102¼%, decreasing ¼ of 1% each year thereafter; annual sinking fund requirements of \$1,000,000 (no sinking fund payments required until 1967).....	11,969,000	14,354,000
4% Sinking Fund Debentures due March 1, 1976; redemption price to February 29, 1964, 102¼%, decreasing ¼ of 1% each year thereafter; annual sinking fund requirements of \$500,000 (no sinking fund payments required until 1968).....	6,247,000	6,468,000
5¼% Sinking Fund Debentures, Series "A", of Fruehauf Trailer Company of Canada Limited due November 1, 1976; redemption price to November 1, 1964, 103¼%, decreasing ¼ of 1% each year thereafter; annual sinking fund requirements of \$150,000 (no sinking fund payments required until 1967).....	2,028,000	2,063,000
4% Convertible Subordinated Debentures due March 1, 1976; redemption price to February 29, 1964, 104%, decreasing ¼ of 1% each year to February 28, 1965, and ¼ of 1% each year thereafter; presently convertible into Common Stock at \$26.24 a share (no sinking fund payments required until 1971).....	26,295,000	26,942,000
TOTAL	\$55,602,059	\$58,084,005

The indentures relating to the Sinking Fund Debentures and Convertible Subordinated Debentures and also the terms of the outstanding Preferred Stock, among other covenants, impose certain restrictions on the declaration or payment of cash dividends on Common Stock and purchase of shares of such stock. In accordance with Michigan law, an amount equal to the cost of Common Stock held in treasury is restricted as to payment of dividends. At December 31, 1963, earnings retained for use in the business amounted to \$20,848,055. Of this amount \$1,725,856 was not free from the above restrictions.

NOTE F—LONG-TERM LEASES

Fruehauf Corporation or Fruehauf Trailer Company of Canada Limited are lessees under 65 long-term lease agreements expiring three years to 24 years from December 31, 1963. Annual rental requirements of such leases will amount to approximately \$1,500,000 in 1964, exclusive of taxes, insurance, maintenance, and repairs which are also payable by the companies.

Under the terms of 47 of the lease agreements, the companies have the right to purchase the properties after certain specified periods (generally five years from the date of the lease). The rental payments and purchase prices in most cases decline gradually over the terms of these leases. If all the rights to purchase were presently exercisable, the aggregate purchase price would amount to approximately \$14,200,000.

NOTE G—RESERVATION OF COMMON STOCK

At December 31, 1963, 1,002,097 shares of Common Stock were reserved for conversion of the 4% Convertible Subordinated Debentures and 205,143 shares for Restricted Stock Option Plans, a total of 1,207,240 shares.

At December 31, 1962, options for 253,003 shares were outstanding under Restricted Stock Option Plans at prices from \$12.71 to \$24.11 a share, the average being \$19.35. During 1963, no options were granted, options for 103,461 shares were exercised, and options for 60,538 shares were canceled. At December 31, 1963, options for 89,004 shares were outstanding at prices from \$18.41 to \$24.11 a share, the average being \$23.13. Options are presently exercisable for 51,104 shares aggregating \$1,163,367. The option prices are 95% of the market prices on the dates the options were granted.

NOTE H—PENSIONS

Unfunded past service costs of pension plans covering certain employees amounting to approximately \$8,370,000 at December 31, 1963, are being amortized over thirty-year periods. The amount charged to operations in 1963 for such plans was \$1,434,104.

NOTE I—LITIGATION

In 1963 an Examiner of the Federal Trade Commission dismissed an anti-trust complaint filed against the Corporation in 1956, in all respects, except that he ordered divestiture of the assets acquired from Hobbs Manufacturing Company and Hobbs Trailer and Equipment Company. The facilities so ordered divested contribute less than 3% to earnings of the Corporation. The decision of the Examiner will be appealed. If an order of divestiture is ultimately entered by the Commission, the Corporation would receive fair compensation for any properties divested.

WORKING CAPITAL

	1963	1962
SOURCES OF WORKING CAPITAL:		
Operations:		
Net earnings for year.....	\$16,808,251	\$16,189,508
Depreciation of trailers leased to customers.....	3,899,937	3,980,775
Depreciation and amortization of plant and equipment.....	3,521,959	3,645,467
Total from Operations.....	<u>\$24,230,147</u>	<u>\$23,815,750</u>
Other:		
Sale of Common Stock to employees under Restricted Stock Option Plans.....	1,911,900	1,034,908
Increase in amounts payable to Fruehauf Finance Company secured by pledge of leased trailer rentals.....	806,054	3,073,337
Increase in deferred payments of incentive compensation.....	400,659	550,462
Increase in deferred taxes on income.....	72,269	211,921
Miscellaneous.....	173,487	(25,800)
	<u>\$27,594,516</u>	<u>\$28,660,578</u>
APPLICATION OF WORKING CAPITAL:		
Cash dividends—4% Preferred Stock.....	\$ 223,150	\$ 233,180
Cash dividends—Common Stock.....	13,229,901	10,474,289
Sinking fund requirements and payments on debentures.....	2,641,000	364,000
Cost of Preferred Stock acquired.....	19,653	260,121
Cost of Common Stock acquired.....	—0—	943,503
Trailers transferred from inventory and leased to customers, less disposals.....	7,859,721	1,998,860
Additions to property, plant and equipment, less disposals.....	3,417,265	4,020,352
Increase in investments in and amounts due from subsidiaries not consolidated.....	2,302,959	2,138,410
Increase in miscellaneous accounts and investments.....	1,935,004	511,326
	<u>\$31,628,653</u>	<u>\$20,944,041</u>
NET INCREASE (DECREASE) IN WORKING CAPITAL FOR YEAR.....	<u>\$ (4,034,137)</u>	<u>\$ 7,716,537</u>
WORKING CAPITAL at beginning of Year.....	90,282,998	82,566,461
WORKING CAPITAL at end of Year.....	<u>\$86,248,861</u>	<u>\$90,282,998</u>

COMPARISON OF OPERATIONS 1963-54

REVENUES:

	1963	1962	1961
Commercial sales.....	\$261,289,250	\$254,188,567	\$190,000,692
Rentals on leased equipment.....	6,304,713	5,977,348	5,473,863
Defense sales.....	9,819,019	12,796,073	7,579,042
Total sales.....	<u>\$277,412,982</u>	<u>\$272,961,988</u>	<u>\$203,053,597</u>
Less excise taxes.....	12,002,594	11,237,098	8,609,758
Net sales.....	<u>\$265,410,388</u>	<u>\$261,724,890</u>	<u>\$194,443,839</u>
Earnings (before taxes on income) of and interest from finance subsidiaries..	5,584,872	5,410,470	5,346,090
Finance revenue and interest.....	2,109,459	1,917,521	1,475,784
Miscellaneous.....	1,914,505	646,083	450,238
	<u>\$275,019,224</u>	<u>\$269,698,964</u>	<u>\$201,715,951</u>

COSTS AND EXPENSES:

Cost of products and service sold.....	\$216,400,459	\$212,909,935	\$165,883,158
Selling and administrative expenses.....	23,054,368	21,606,377	18,032,880
Interest on long-term debt.....	2,636,146	2,673,144	2,508,844
United States and Canadian taxes on income.....	16,120,000	16,320,000	7,980,000
Special charges, less applicable taxes on income.....	—0—	—0—	—0—
	<u>\$258,210,973</u>	<u>\$253,509,456</u>	<u>\$194,404,882</u>

NET EARNINGS (LOSS)

	\$ 16,808,251	\$ 16,189,508	\$ 7,311,069
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CASH DIVIDENDS PAID:

Preferred Stock.....	\$ 223,150	\$ 233,180	\$ 297,620
Common Stock.....	10,492,437	8,378,884	8,192,101

TOTAL CASH DIVIDENDS

	\$ 10,715,587	\$ 8,612,064	\$ 8,489,721
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EARNINGS FOR YEAR RETAINED in the business (reduction)

	\$ 6,092,664	\$ 7,577,444	\$ (1,178,652)
Net earnings (loss) per share of Common Stock after deducting dividends on Preferred Stock (based on average number of shares outstanding) (Note A)	\$2.37	\$2.29	\$1.02
Cash dividends paid per share of Common Stock (Note A).....	\$1.50	\$1.20	\$1.20
Net earnings (loss) from each dollar of net sales.....	6.3¢	6.2¢	3.8¢

COMPARISON OF FINANCIAL POSITION 1963-54

CURRENT ASSETS:

	1963	1962	1961
Cash.....	\$ 18,214,846	\$ 15,344,394	\$ 16,654,610
Marketable securities.....	1,679,689	2,617,588	191,700
Trade receivables.....	56,749,414	60,731,746	51,798,840
Inventories.....	57,941,502	52,733,098	47,672,574
Prepaid expenses.....	976,258	1,039,238	968,627
TOTAL CURRENT ASSETS	<u>\$135,561,709</u>	<u>\$132,466,064</u>	<u>\$117,286,351</u>

LESS CURRENT LIABILITIES:

Notes payable to banks.....	\$ —0—	\$ —0—	\$ —0—
Accounts payable and accrued expenses.....	39,364,136	30,617,604	29,492,174
United States and Canadian taxes on income.....	9,948,712	11,565,462	5,227,716

TOTAL CURRENT LIABILITIES

	\$ 49,312,848	\$ 42,183,066	\$ 34,719,890
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NET CURRENT ASSETS (working capital)

	\$ 86,248,861	\$ 90,282,998	\$ 82,566,461
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Ratio of current assets to current liabilities.....	2.7 to 1	3.1 to 1	3.4 to 1
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ADD:

Investments and other assets.....	67,493,302	59,295,555	58,627,734
Property, plant, and equipment.....	32,659,505	32,764,199	32,389,314
Unamortized debenture expenses.....	204,443	258,113	298,314

TOTAL ASSETS LESS CURRENT LIABILITIES

	<u>\$186,606,111</u>	<u>\$182,600,865</u>	<u>\$173,881,823</u>
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LESS:

Deferred taxes on income and deferred compensation.....	\$ 3,177,661	\$ 2,704,733	\$ 1,942,350
Long-term debt.....	55,602,059	58,084,005	55,384,668
Minority interest in Fruehauf Trailer Company of Canada Limited.....	717,558	599,159	665,187

NET ASSETS (shareholders' investment)

	<u>\$ 59,497,278</u>	<u>\$ 61,387,897</u>	<u>\$ 57,992,205</u>
Net Assets per share of Common Stock (Note A).....	\$17.13	\$16.60	\$15.82

Note A—Adjusted for share for share distribution of Common Stock on January 31, 1956.

CONSOLIDATED SUBSIDIARIES

1960	1959	1958	1957	1956	1955	1954
\$207,155,403	\$236,803,073	\$188,163,855	\$220,748,875	\$257,193,081	\$232,723,834	\$133,274,459
4,719,533	5,332,614	5,624,052	5,080,009	2,943,128	1,289,974	115,686
9,577,468	18,878,992	24,257,599	17,421,433	8,324,549	11,610,441	25,894,235
\$221,452,404	\$261,014,679	\$218,045,506	\$243,250,317	\$268,460,758	\$245,624,249	\$159,284,380
9,193,230	11,331,572	7,578,219	11,208,608	12,840,753	12,009,614	7,055,111
\$212,259,174	\$249,683,107	\$210,467,287	\$232,041,709	\$255,620,005	\$233,614,635	\$152,229,269
6,304,381	6,618,932	4,847,267	5,192,277	4,845,954	2,840,726	2,399,758
1,183,331	708,936	410,909	282,578	430,272	316,640	262,546
1,015,152	670,690	518,676	137,033	589,888	330,442	409,564
\$220,762,038	\$257,681,665	\$216,244,139	\$237,653,597	\$261,486,119	\$237,102,443	\$155,301,137
\$178,649,413	\$206,485,252	\$192,595,750	\$210,194,647	\$223,624,586	\$199,852,391	\$131,298,707
19,204,744	21,570,716	19,134,184	20,346,657	22,924,096	18,064,685	14,190,036
2,638,212	2,778,094	3,122,434	3,098,439	2,277,044	1,049,109	1,134,579
10,792,000	13,876,500	904,500	2,204,500	6,253,000	9,424,500	4,327,000
—0—	—0—	5,900,108	—0—	2,141,499	—0—	—0—
\$211,284,369	\$244,710,562	\$221,656,976	\$235,844,243	\$257,220,225	\$228,390,685	\$150,950,322
\$ 9,477,669	\$ 12,971,103	\$ (5,412,837)	\$ 1,809,354	\$ 4,265,894	\$ 8,711,758	\$ 4,350,815
\$ 313,500	\$ 314,180	\$ 314,180	\$ 314,330	\$ 331,130	\$ 368,800	\$ 418,550
8,094,647	—0—	—0—	4,465,942	8,161,436	3,989,204	3,001,894
\$ 8,408,147	\$ 314,180	\$ 314,180	\$ 4,780,272	\$ 8,492,566	\$ 4,358,004	\$ 3,420,444
\$ 1,069,522	\$ 12,656,923	\$ (5,727,017)	\$ (2,970,918)	\$ (4,226,672)	\$ 4,353,754	\$ 930,371
\$1.36	\$1.92	(\$0.87)	\$0.23	\$0.68	\$2.11	\$1.29
\$1.20	—0—	—0—	\$0.70	\$1.40	\$1.00	\$1.00
4.5¢	5.2¢	(2.6¢)	0.8¢	1.7¢	3.7¢	2.9¢

1960	1959	1958	1957	1956	1955	1954
\$ 8,614,687	\$ 13,230,185	\$ 16,022,103	\$ 16,462,273	\$ 24,956,405	\$ 19,641,792	\$ 13,322,660
23,647,369	9,966,352	—0—	—0—	—0—	—0—	—0—
32,025,756	47,824,143	35,415,629	38,145,507	40,363,937	44,537,438	26,272,664
47,147,393	58,724,696	56,882,741	82,588,469	101,476,021	78,179,051	51,051,917
1,105,179	1,189,930	1,168,350	1,038,935	961,270	680,147	607,349
\$112,540,384	\$130,935,306	\$109,488,823	\$138,235,184	\$167,757,633	\$143,038,428	\$ 91,254,590
\$ —0—	\$ —0—	\$ —0—	\$ 20,596,526	\$ 39,550,000	\$ 44,516,000	\$ 9,724,000
21,619,996	32,710,695	29,117,166	22,225,564	23,184,417	33,356,873	18,018,216
6,423,259	12,421,957	776,134	5,106,971	6,317,224	8,868,356	3,885,998
\$ 28,043,255	\$ 45,132,652	\$ 29,893,300	\$ 47,929,061	\$ 69,051,641	\$ 86,741,229	\$ 31,628,214
\$ 84,497,129	\$ 85,802,654	\$ 79,595,523	\$ 90,306,123	\$ 98,705,992	\$ 56,297,199	\$ 59,626,376
4.0 to 1	2.9 to 1	3.7 to 1	2.9 to 1	2.4 to 1	1.6 to 1	2.9 to 1
61,473,191	62,840,378	61,270,492	60,322,217	48,050,015	30,767,829	16,424,185
30,312,696	29,552,360	28,633,720	31,931,447	33,678,288	23,282,550	16,270,431
374,934	489,566	553,709	614,875	654,458	432,643	687,778
\$176,657,950	\$178,684,958	\$170,053,444	\$183,174,662	\$181,088,753	\$110,780,221	\$ 93,008,770
\$ 2,228,292	\$ 1,810,789	\$ 1,964,178	\$ 4,320,093	\$ 2,781,221	\$ 2,092,516	\$ 499,032
57,571,337	62,098,395	66,432,058	71,358,884	67,605,598	26,201,000	26,620,000
686,721	764,535	734,131	848,595	835,483	—0—	—0—
\$ 60,486,350	\$ 64,673,719	\$ 69,130,367	\$ 76,527,572	\$ 71,222,302	\$ 28,293,516	\$ 27,119,032
\$116,171,600	\$114,011,239	\$100,923,077	\$106,647,090	\$109,866,451	\$ 82,486,705	\$ 65,889,738
\$15.98	\$15.80	\$14.18	\$15.05	\$16.14	\$15.76	\$16.62

The financial statements for the years 1958, 1957 and 1956 have been restated to give effect to the retroactive write-off of good will as a special charge in 1956.

BALANCE SHEETS / FRUEHAUF

ASSETS	December 31, 1963	December 31, 1962
Cash:		
Unrestricted	\$ 110,146	\$ 81,319
On deposit in interest-bearing accounts.....	7,064,890	8,974,991
Restricted for payment of interest on 1976 Notes.....	1,237,188	1,237,188
CASH	\$ 8,412,224	\$ 10,293,498
Account receivable from Fruehauf Corporation	2,821,573	2,843,775
Installment receivables (including installments of approximately \$118,600,000 at December 31, 1963, and \$112,400,000 at December 31, 1962, maturing after one year):		
Installment equipment contracts purchased from Fruehauf Corporation without recourse.....	\$172,406,178	\$167,383,604
Amounts receivable from Fruehauf Corpo- ration secured by pledge of leased trailer rentals.....	10,297,165	9,304,490
	<u>\$182,703,343</u>	<u>\$176,688,094</u>
Less:		
Deferred finance revenue.....	\$ 19,404,347	\$ 18,338,410
Allowance for losses.....	1,927,949	1,876,158
	<u>\$ 21,332,296</u>	<u>\$ 20,214,568</u>
INSTALLMENT RECEIVABLES—NET	\$161,371,047	\$156,473,526
Repossessed trailers—at appraised values, less estimated disposal costs.....	708,825	717,007
Investment in wholly-owned subsidiary not consoli- dated—at equity in net assets.....	254,059	225,717
Unamortized long-term debt expenses.....	28,000	40,000
	<u>\$173,595,728</u>	<u>\$170,593,523</u>

Note A—Interest on Capital Note Held by Fruehauf Corporation

By agreement between the Company and Fruehauf Corporation, the interest on the Capital Note has been waived.

Note B—Restriction on Earnings Retained for Use in the Business

The loan agreements relating to the 1976 Notes impose certain restrictions on the declaration or payment of cash dividends, the purchase of shares of stock, and payments on subordinated debt. None of the earnings retained for use in the business at December 31, 1963, were free from these restrictions.

FRUEHAUF FINANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 1963

FINANCE COMPANY

LIABILITIES AND CAPITAL	December 31, 1963	December 31, 1962
Accounts payable and accrued expenses:		
To subsidiary not consolidated.....	\$ 811,208	\$ 762,504
Accrued expenses.....	51,774	46,286
Interest.....	412,396	412,396
	<u>\$ 1,275,378</u>	<u>\$ 1,221,186</u>
Federal taxes on income.....	2,126,447	1,504,505
Long-term debt:		
1976 Notes due June 1, 1976; redemption price to June 2, 1964, 102¾%, decreasing ¼ of 1% each year to June 2, 1966, and ¾ of 1% each year to June 2, 1971; no sinking fund payments required until 1966:		
4%.....	\$100,000,000	\$100,000,000
4½%.....	23,000,000	23,000,000
LONG-TERM DEBT	<u>\$123,000,000</u>	<u>\$123,000,000</u>
Amounts withheld from Fruehauf Corporation on installment receivables acquired, subordinated to long-term debt.....	14,234,660	14,563,461
Capital:		
Capital Note, 5%, due October 12, 1978; not subject to prepayment while other indebtedness is outstanding (Note A).....	\$ 12,000,000	\$ 12,000,000
Common Stock, par value \$100.00 a share—authorized and outstanding 10,000 shares	1,000,000	1,000,000
Earnings retained for use in the business (Note B).....	19,959,243	17,304,371
CAPITAL	<u>\$ 32,959,243</u>	<u>\$ 30,304,371</u>
	<u><u>\$173,595,728</u></u>	<u><u>\$170,593,523</u></u>



TRACKPORTER... A tank recovery test-rig, built by Military Products Division, loading a M-60 Tank.

FRUEHAUF FINANCE COMPANY

STATEMENT OF NET EARNINGS AND EARNINGS RETAINED FOR USE IN THE BUSINESS

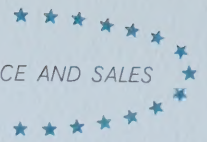
Years ended December 31, 1963, and December 31, 1962

	1963	1962
FINANCE REVENUE:		
From installment equipment contracts.....	\$11,147,895	\$11,163,283
From Fruehauf Corporation with respect to loans secured by pledge of leased trailer rentals.....	753,109	692,575
Other interest.....	264,622	518,330
	<u>\$12,165,626</u>	<u>\$12,374,188</u>
EXPENSES:		
Operating expenses.....	\$ 1,113,363	\$ 1,150,922
Provision for losses on installment equipment contracts.....	518,641	701,697
Interest on long-term debt.....	4,948,750	5,110,417
Federal taxes on income.....	2,930,000	2,803,000
	<u>\$ 9,510,754</u>	<u>\$ 9,766,036</u>
	<u>\$ 2,654,872</u>	<u>\$ 2,608,152</u>
NET EARNINGS FOR THE YEAR		
Earnings retained for use in the business—at beginning of year.....	17,304,371	14,696,219
Earnings retained for use in the business—at end of year.....	<u>\$19,959,243</u>	<u>\$17,304,371</u>

See notes to financial statements.

COMPARISON OF OPERATIONS

	1963	1962	1961	1960	1959
Installment Receivables Acquired.....	\$105,192,015	\$107,068,953	\$ 79,702,140	\$104,127,854	\$ 82,582,916
Installment Receivables Outstanding.....	182,703,343	176,688,094	167,664,794	186,598,719	187,305,903
Deferred Finance Revenue..	19,404,347	18,338,410	16,578,067	18,595,470	17,518,708
Installment Receivables Liquidated.....	99,176,766	98,394,740	98,636,065	104,835,038	111,451,030
Finance Revenue Earned....	11,901,004	11,855,858	11,764,540	12,774,599	13,317,013
Net Earnings after Taxes....	2,654,872	2,608,152	2,521,906	2,977,394	2,692,181
	1958	1957	1956	1955	1954
Installment Receivables Acquired.....	\$ 88,641,202	\$146,349,251	\$181,291,850	\$128,176,144	\$ 67,576,372
Installment Receivables Outstanding.....	216,174,017	255,141,305	240,831,869	162,817,347	109,919,067
Deferred Finance Revenue..	20,685,802	26,151,031	24,615,769	17,805,755	11,543,711
Installment Receivables Liquidated.....	127,608,490	132,039,815	103,277,328	75,277,864	66,093,234
Finance Revenue Earned....	14,467,480	15,175,056	13,746,828	8,411,699	7,121,019
Net Earnings after Taxes....	2,116,734	2,175,250	2,051,597	1,172,726	1,157,758



WORLD-WIDE FRUEHAUF FACILITIES MANUFACTURING ENGINEERING SERVICE SALES

providing the needs of the
transportation, materials
handling, defense, and
aerospace industries

89 Company Sales and
Service Branches in the
United States and Canada.
202 Sales and Service Dealers
in the United States, Canada
and throughout
the rest of the world.



INTERNATIONAL PLANTS AND AFFILIATES

- Buenos Aires, Argentina
- Dereham, England
- Johannesburg, South Africa
- Linköping, Sweden
- Madrid, Spain
- Melbourne, Australia
- Mexico City, Mexico
- Paris, France
- Rotterdam, Holland
- Sao Paulo, Brazil
- Schierling, West Germany
- Sydney, Australia
- Tokyo, Japan
- Toronto, Canada

MANUFACTURING PLANTS IN THE UNITED STATES

- Avon Lake, Ohio
- Chicago, Illinois
- Cleburne, Texas
- Decatur, Alabama
- Delphos, Ohio
- Detroit, Michigan
- Fairless Hills, Pennsylvania
- Fort Wayne, Indiana
- Fort Worth, Texas
- Fresno, California
- Los Angeles, California (2)
- Memphis, Tennessee
- Omaha, Nebraska
- Uniontown, Pennsylvania
- Vina Vista, California

FRUEHAUF CORPORATION
DETROIT, MICHIGAN 48232



THE GLOBE & MAIL
GEORGE D LINTON
KING & YORK STS
TORONTO CAN

RETURN REQUESTED

FRUEHAUF
CORPORATION

Fruehauf Trailer Division
Hobbs Trailer Division
Independent Metal Products Division
International Operations Division
Military Products Division
Strick Trailer Division